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Eastern Europe's Winter Energy Worries

Summary

The coldest weather in at least 17 years aggravated already existing energy shortages throughout Eastern Europe last winter. The region has tried to prepare for the coming winter by rebuilding stockpiles through increased fuel production and imports, accelerating the repair and construction of energy facilities, and implementing belated conservation measures. Bulgaria, Romania, and Yugoslavia, nonetheless, probably will experience energy shortages this winter even if the weather is average. These shortfalls will again cause losses in industrial production which will stunt economic growth. Populations, especially in Romania and, to a lesser extent, Bulgaria, will have to cope with another cold, dark winter which will lead to increased disaffection toward these regimes. [redacted] 25X1

This memorandum was requested by Roland Kuchel, Director, Office of East European and Yugoslav Affairs, Department of State. It was prepared by [redacted] CEMA Task Force, Office of European Analysis with a contribution from [redacted] East-West Regional Branch, EURA. Comments and questions are welcome and should be addressed to Chief, CEMA Task Force, EURA [redacted]

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The Big Chill

According to official US Air Force weather data, temperatures averaged 5 degrees Celsius below normal during January and February 1985. The cold weather boosted demand for energy and disrupted supplies, hindering transportation and production. Drought also lowered energy production, especially in Yugoslavia, Bulgaria, and Romania, where hydroelectric power is a major factor in energy supplies. 25X1

The hard currency problems which most of Eastern Europe suffered during the 1980s contributed to the region's energy problems. Restrictions on Western imports prevented the East Europeans from replacing antiquated plant and machinery with more modern, energy-efficient equipment. The poor condition of power installations limited the ability of these countries to step up energy output when demand surged. Moreover, most countries could not afford to buy substantial amounts of additional oil in the West. 25X1

Changes in Soviet energy deliveries generally did not play a major role in Eastern Europe's energy problems last winter. Although the USSR also had an unusually cold winter and oil production had begun to decline it maintained the volume and pace of deliveries to most of the East European countries. There were, however, some important exceptions:

-- Bulgarian officials told US Embassy officers that deliveries of high grade Soviet coal were interrupted due to the freezing of the Azov Sea.

-- In January, Soviet diplomats in Belgrade admitted that deliveries of natural gas to Yugoslavia were running only about half of contracted rates because of low gasline pressure caused by cold weather. 25X1 25X1

-- The Hungarian Deputy Minister of Industry said that imports of Soviet natural gas "temporarily fell behind last winter," but a Hungarian trade official told US Embassy diplomats in Moscow that the Soviets eventually boosted deliveries to Hungary by 10 percent. 25X1

Although these cuts in Soviet deliveries appear to have been only short-term and caused by technical and logistical problems, the Soviets do appear to have deliberately cut oil supplies to Bulgaria. This may have been because Sofia was spared from reductions in oil deliveries that hit Czechoslovakia, Hungary, and East Germany in 1982, but it could also be related to the general dissatisfaction Moscow has exhibited toward Bulgaria in the Gorbachev era. 25X1

Varied Impact

The countries of Eastern Europe's southern tier fared worst in meeting energy needs last winter.

-- In Bulgaria, widespread shortages of electricity and heating reduced the country to a state of near emergency. Electricity was provided on a three-hours-on, three-hours-off schedule. The few gas stations open faced long lines of motorists. Television broadcasts were scaled back, factories were shutdown, train schedules were reduced, and school classes were cancelled in order to conserve energy. 25X1

-- Romanian authorities implemented draconian measures to ration energy. Additional workers were mustered for around-the-clock mining operations to boost coal production. A 50-percent reduction in public lighting was mandated, with households limited to one 15-watt light bulb. Widespread shortages across the country left many homes without heat, gas, or water for days. 25X1

-- In Yugoslavia, disruption of coal and fuel oil deliveries to thermoelectric plants because of heavy snowfall caused brief power outages in some areas. The government was forced to boost imports of oil by 31 percent and increase imports of electricity. Deliveries of gas to industry were restricted and some towns experienced heating problems because of sharp reductions in gas imports. 25X1

Drought--now in its third year--also has handicapped these three countries. Yugoslavia is the most vulnerable relying as it does on hydroelectric power for one-third of its electricity compared to 14 to 18 percent for Romania, and only 8 to 12 percent for Bulgaria. The loss of hydroelectric reserves is all the more critical when energy supplies from other sources are stretched thin. 25X1

Although the countries of northern Eastern Europe did better, energy shortages there also seemed worse than usual:

-- In East Germany, authorities called in 20,000 military personnel and police to help mine and transport coal and man power stations when the freezing of water-laden lignite beds caused local fuel shortages and power outages. East Berlin was forced to import 200 to 300 thousand tons of hard coal from West Germany to keep blast furnaces at steel mills from shutting down. 25X1

-- In Czechoslovakia, deliveries of gas to large-scale industrial consumers were cut 10 percent. Coal deliveries were down because the Elbe River froze and rail transportation fell to 90 percent of planned levels. 25X1

-- A natural gas shortage forced Hungary to restrict natural gas consumption by industrial users for more than 40 days, resulting in a "considerable loss" in production. Budapest increased imports of oil and natural gas for industry. The majority of consumption needs were met by the country's oil reserves, according to the Hungarian press. Fifty alternative heating power plants and industrial units switched from natural gas to oil. Except for restrictions on TV broadcasting, sporadic electricity shortages, and some rationing of coal at distribution sites, consumers were largely unaffected. 25X1

-- In Poland, coal, natural gas, and electricity supplies to large industrial users were restricted in order to make extra energy available to heating plants, power plants, and individual consumers. Transportation breakdowns because of heavy snow and freezing temperatures hampered coal deliveries. Sporadic shortages hit many areas around the country. 25X1

Continuing Difficulties

The energy situation eased in the spring, although Bulgaria and Romania have continued to be plagued by shortages. In late July, Bulgarian authorities reinstituted the three-hours-on, three-hours-off electricity rationing schedules, and in August moved to a two-hours-on, two-hours-off schedule for most of the country. A Bulgarian official admitted to US diplomats in late October that 10 percent of electrical capacity was shut off at any given time. In October, Stanish Bonev, the head of the State Planning Committee was replaced, and the regime created a government committee to deal with energy problems headed by First Deputy Premier Aleksandrov. The State Planning Committee has been publicly criticized for failure to plan adequately for the maintenance and modernization of energy facilities. 25X1

Romania's energy difficulties were highlighted last month when the Deputy Prime Minister responsible for energy and the minister for Electric Power were sacked because of "severe shortcomings" in meeting energy production plans. At the same time, the government announced that military commanders were to be assigned to all power plants to oversee the "strict observance of maintenance and production schedules. Employees are to work under strict military rules. 25X1

Evidence of continuing problems in Yugoslavia surfaced last month when restrictions on electricity usage were imposed throughout much of the country. The restrictions, for the most part, have been mild, but have made the population apprehensive about the winter. Some republics have already begun to cut electricity provided to industry. 25X1

Preparations for the Winter

To avoid a repetition of last winter's shortages, the East Europeans are attempting--with limited success--to boost production in order to replenish stocks and make up for production shortfalls. They are also speeding repair work and construction of energy installations, and are imposing various conservation measures. 25X1

-- Through July, energy production in Yugoslavia still was below target, with coal falling 11 percent, crude oil by 8.5 percent, and natural gas by 7.7 percent below plan. Imports of crude oil reportedly were causing Yugoslav authorities concern because of the lack of hard currency to purchase more on world markets and because possibilities of importing from the USSR on clearing account were "almost exhausted." 25X1

-- Output of coal and electricity in Bulgaria through September lagged 1984 results, forcing Bulgaria to boost imports of coal and oil from the West, including 270,000 tons of lignite from the US. Bulgarian planners are pushing for completion this winter of an additional 1000-MW power supply unit at its Kozloduy atomic power station that has been delayed because of supply problems. A stepped-up program to repair the country's power supply sytem--running below available capacity because of breakdowns--was to have been completed by the end of last month, according to Energy Minister Todoriev. 25X1

-- Romanian President Ceausescu continues to criticize the coal industry--upon which the government has pinned its hopes for meeting energy needs--for inefficient production. Ceausescu set a nearly impossible goal of increasing production by 45 percent over 1984 output of 44 million tons. Officials failed to meet a target of stockpiling 5 to 6 million tons of coal at coal-fired generating plants by October 1; inventories reached only 4.5 million tons, according to Embassy reporting. 25X1

-- Hungarian planners have tried to build up the country's energy reserves. Budapest plans to import 1.7 million tons of coal this year, 40 percent more than last year. The government has also provided coal mining

industries an extra $14 million to upgrade plant and machinery and has raised wages to attract more labor to coal production. Through August, coal, nonetheless, was 9 percent below the 1984 rate, and had still not recovered from the winter shortfalls as of late October. 25X1

-- East Germany, on the other hand, during the first half of the year, reportedly overfulfilled production plans by 10.9 million tons for brown coal--on which East Germany relied for 83 percent of its electricity production in 1984--and by 200 million cubic meters of manufactured gas. Officials at East Germany's main coal processing plant, Schwarze Pumpe, told US diplomats that measures to avoid a recurrence of last winter's problems include better worker training, increased storage of manufactured gas, and better maintenance of facilities. 25X1

-- By mid-year, Poland achieved some gains in output of lignite, natural gas, and electricity. The government announced in August that coal depots would receive 6 percent more coal for distribution to the population this winter than last year. Warsaw plans to reduce coal consumption this winter by limiting supplies to large industrial users. 25X1

-- Czechoslovakia's completion of two nuclear power plants increased output of nuclear energy through June by 54 percent over the first half of 1984. Nuclear energy now accounts for about 14 percent of electricity production. Moreover, ample precipitation has increased hydroelectric power by one-third. As a result, total electricity output is up 3 percent and, more importantly, the improved nuclear and hydroelectric output has relieved some of the burden from thermal power plants. Increases in production of coal and manufactured gas have helped to replenish stocks drawn down last winter. 25X1

The East Europeans are pushing conservation efforts heavily in order to reduce demand for energy. Officials rely mostly on jawboning on the need to conserve. This will have little effect when the main source of energy profligacy is energy-inefficient and antiquated plant and capital stock. Hungary, Bulgaria, Poland, and Yugoslavia also have raised prices for domestic energy consumption in order to dampen demand. Romania's and Bulgaria's planned outages are largely an attempt to spread energy reductions throughout the entire year in order to conserve fuel and avoid more serious disruptions during the winter. 25X1

Outlook

We believe that, other than Bulgaria and Romania, the region will make it through this winter without major energy disruptions, if this winter does not match the record setting cold temperatures of last year. While Czechoslovakia, Hungary, Poland, and East Germany all suffered energy shortages and production losses last winter, their ability to meet most of their energy needs under such adverse conditions, combined with extra precautions and better overall preparedness, suggests that an average winter will pose no major energy difficulties in these countries. 25X1

Yugoslavia's prospects this winter hinge in large part on the continuing severity of the drought and its effects on hydroelectric power. At this point the situation potentially is more serious than last year, but better than in 1983 when reduced hydroelectric reserves--as much as 40 percent below normal--led to periodic electricity blackouts throughout the country. Belgrade, however, may be forced to cut consumption by instituting similar measures if the country is unable to make up energy production shortfalls. 25X1

Bulgarians probably will suffer the same electricity cutbacks this winter that they have faced most of this year despite measures to increase supplies and remedy the breakdowns in the power industry. While Sofia's planners could boost imports even more to meet the country's energy requirements in view of production shortfalls and reduced Soviet oil supplies, they have been loathe to increase hard currency debts and likely will continue to squeeze the population. 25X1

We expect that Romania will face the most serious energy difficulties this winter. The imposition of a military work regime on demoralized workers may succeed in lifting energy production somewhat, but coal production will fall far short of the unrealistic targets set by Bucharest. Because of acute hard currency problems, Romanian leaders will continue to export a significant portion of the country's oil--even in the face of domestic energy shortages--and will limit energy imports. Romanian consumers will be forced to bear the burden of energy shortfalls. 25X1

The most serious effect of energy shortages this winter on Bulgaria, Romania, and possibly Yugoslavia, will again be the losses in production, which will lower economic growth, and set back export and investment plans in these countries. Romania, trying hard to maintain the confidence of Western bankers in view of its crumbling economy, will have even more difficulty in sustaining hard currency exports. 25X1

Major domestic unrest due to energy shortages seems unlikely. Romanians are accustomed to hardships, and leaders in other East European countries were careful to maintain supplies to households last winter at the expense of industry and subsequent production declines. We believe that Yugoslavia will monitor carefully popular reaction to conservation measures. In the event of widespread public unrest, it would undertake additional measures to boost supplies to the population, either by cutting industry or increasing imports. [redacted] 25X1

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